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No. 06-1589

In the Supreme Court of the United States

LANARD TOYS, INC., and LANARD TOYS, LTD.,

Petitioners,

v.

GENERAL MOTORS CORP. and AM GENERAL, LLC,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

REPLY BRIEF FOR PETITIONERS

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TABLE OF CONTENTS

Page

REPLY BRIEF FOR PETITIONERS. 1

CONCLUSION. 8

TABLE OF AUTHORITIES

Page(s)

Cases:

Antioch Co. v. *W. Trimming Corp.*,
347 F.3d 150 (6th Cir. 2003). 2

Baughman Tile Co. v. *Plastic Tubing, Inc.*,
211 F. Supp. 2d 720 (E.D.N.Y. 2002). 2

C & A Carbone, Inc. v. *Town of Clarkstown*,
511 U.S. 383 (1994). 4

Cooper Indus., Inc. v. *Aviall Services, Inc.*,
543 U.S. 157 (2004). 4

Eppendorf-Netheler-Hinz GmBH v. *Ritter GmBH*,
289 F.3d 351 (5th Cir. 2002). 2, 5, 7

In re N.V. Organon, 79 U.S.P.Q.2d 1639
(T.T.A.B. 2006). 6

Invisible Fence, Inc. v. *Technologies, Inc.*,
No. 1:05-CV-361, 2007 WL 273129
(N.D. Ind. Jan. 26, 2007). 2

KP Permanent Make-Up, Inc. v. *Lasting Impression, Inc.*,
543 U.S. 111 (2004). 4

Maharishi Hardy Blechman Ltd. v.
Abercrombie & Fitch Co.,
292 F. Supp. 2d 535 (S.D.N.Y. 2003). 5-6

Moseley v. *V Secret Catalogue, Inc.*,
537 U.S. 418 (2003). 4

New Colt Holding Corp. v. RJG Holdings of Fla., Inc.,
312 F. Supp. 2d 195 (D. Conn. 2004). 2

Qualitex Co. v. Jacobson Products Co.,
514 U.S. 159 (1995). 4

Specialized Seating, Inc. v. Greenwich Indus., L.P.,
No. 05 C 1197, 2007 WL 417027
(N.D. Ill. Feb. 2, 2007). 6

Straumann Co. v. Lifecore Biomedical Inc.,
278 F. Supp. 2d 130 (D. Mass. 2003). 2

TrafFix Devices, Inc. v. Mktg. Displays, Inc.,
532 U.S. 23 (2001). 1

*United Haulers Ass'n, Inc. v. Oneida-Herkimer
Solid Waste Mgmt. Auth.*,
127 S. Ct. 1786 (2007). 4

United States v. Atl. Research Corp.,
127 S. Ct. 2331 (2007). 4

Valu Engineering, Inc. v. Rexnord Corp.,
278 F.3d 1268 (Fed. Cir. 2002). 2, 5, 7

Statute:

15 U.S.C. § 1125(a)(3). 7

Miscellaneous:

Margreth Barrett, *Consolidating the Diffuse Paths
to Trade Dress Functionality: Encountering
TrafFix on the Way to* Sears, 61 WASH. & LEE
L. REV. 79 (2004). 3

Siegrun D. Kane, *Trademarks Just Ain't What They Used to Be: 5 Years of the Supreme Court's Efforts to Rein in Trademark Owners*, 842 PLI/PAT 261 (2005). 3

J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION (4th ed. 2007). 4, 5

Vincent N. Palladino, *Trade Dress Functionality After* TrafFix: *the Lower Courts Divide Again*, 93 TRADEMARK REP. 1219 (2003). 3

Justin Pats, Comment, *Conditioning Functionality: Untangling the Divergent Strands of Argument Evidenced by Recent Case Law and Commentary*, 10 MARQ. INTELL. PROP. L. REV. 515 (2006). 3

REPLY BRIEF FOR PETITIONERS

Respondent General Motors Corporation ("GM") grounds its argument in opposition to certiorari on the premise that there is no post-*TrafFix* circuit split with respect to the relevance of alternative designs when assessing the functionality of a product design feature. See *TrafFix Devices, Inc.* v. *Mktg. Displays, Inc.*, 532 U.S. 23 (2001). Its assertion is uniformly contradicted by the courts, the academic community, and the leading treatise.

Nowhere is the impact of considering alternative designs clearer than in the present case. To carry their statutory burden of proving that the Humvee's unregistered trade dress elements were nonfunctional, GM and AM General submitted but one piece of evidence: the declaration of Robert J. Gula, an AM General executive. See Pet. 10-11; Pet. App. 55a-57a. That declaration said only that the design elements were nonfunctional because the Humvee "could have had a different appearance and still functioned in the same way." Pet. App. 57a. In other words, apart from Gula's statement about alternative design possibilities, GM and AM General put forth *no evidence whatever* of nonfunctionality of the unregistered trade dress; if that evidence of alternative design possibilities were irrelevant, they could not possibly have prevailed on summary judgment. And the Sixth Circuit cited no record evidence other than Gula's declaration in affirming summary judgment on nonfunctionality. Pet. App. 13a-14a.

Evidence of alternative designs can be case-dispositive in some courts, but disregarded as irrelevant in others, with courts on both sides of the debate believing their decisions to be compelled by this Court's language in *TrafFix*. This case perfectly illustrates the havoc that can result from the lack of clear standards. The Court should grant certiorari to provide much-needed clarification in this critical but fractured area of trademark law.

1. GM's remarkable assertion that "there is no split among the Circuits" (Br. in Opp. 1) with respect to the relevance of

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alternative design possibilities when determining whether a particular design feature is functional is simply not credible. The conflicting opinions could not be phrased more plainly. Compare *Eppendorf-Netheler-Hinz GmBH* v. *Ritter GmBH*, 289 F.3d 351, 357 (5th Cir. 2002) ("[t]he availability of alternative designs is irrelevant"), with *Valu Engineering, Inc.* v. *Rexnord Corp.*, 278 F.3d 1268, 1276 (Fed. Cir. 2002) (the court "do[es] not read the Court's observations in *TrafFix* as rendering the availability of alternative designs irrelevant"; rather, the availability of alternative designs is "a legitimate source of evidence to determine whether a feature is functional").

For further confirmation regarding the division between the Fifth and Federal Circuits, one need look no further than the myriad decisions in other federal courts that not only illustrate the split, but often expressly acknowledge it. See *New Colt Holding Corp.* v. *RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195, 213 (D. Conn. 2004) ("Other circuits are divided as to the question of design alternatives."); *Invisible Fence, Inc.* v. *Technologies, Inc.*, No. 1:05-CV-361, 2007 WL 273129, *4 (N.D. Ind. Jan. 26, 2007) ("Following *TrafFix*, there has been much debate surrounding the proper role of alternative designs when analyzing a feature's functionality."); *Straumann Co.* v. *Lifecore Biomedical Inc.*, 278 F. Supp. 2d 130, 135 n.4 (D. Mass. 2003) (noting the "hotly contested question of whether the availability of alternative designs can be evidence of non-functionality"); *Baughman Tile Co.* v. *Plastic Tubing, Inc.*, 211 F. Supp. 2d 720, 725 n.5 (E.D.N.Y. 2002) ("There appears to be tension among the federal courts as to when the availability to competitors of functionally equivalent designs should be considered, and what kind of weight such availability should be afforded."). Indeed, the very case GM cites in its brief in opposition to show that the courts are of one mind, *Antioch Co.* v. *W. Trimming Corp.*, 347 F.3d 150 (6th Cir. 2003), in fact notes the split. The Sixth Circuit in that case observed that "at least one circuit and a leading treatise author have expressed their views that the availability of alternative designs may be helpful in applying the traditional *Inwood* test for functionality,"

but reasoned that the court "need not resolve [that] question" on that particular occasion. *Id.* at 156.

The academic community, too, has highlighted the division of opinion regarding the relevance of alternative designs. See Vincent N. Palladino, *Trade Dress Functionality After* TrafFix: *the Lower Courts Divide Again*, 93 TRADEMARK REP. 1219, 1219-1220 (2003) (there is a "new split of authority" over whether "evidence concerning the availability of alternative designs [is] relevant"); Justin Pats, Comment, *Conditioning Functionality: Untangling the Divergent Strands of Argument Evidenced by Recent Case Law and Commentary*, 10 MARQ. INTELL. PROP. L. REV. 515, 520 (2006) (a "great deal of variance has surfaced" in the courts of appeals since *TrafFix* with respect to the relevance of alternative designs); Margreth Barrett, *Consolidating the Diffuse Paths to Trade Dress Functionality: Encountering* TrafFix *on the Way to* Sears, 61 WASH. & LEE L. REV. 79, 83, 129-135 (2004) (there is "considerable disagreement * * * among * * * scholars and the courts of appeals over precisely how the Supreme Court intended its functionality standard to be interpreted and applied," including whether "to exclude evidence of alternatives from the initial functionality determination"); Siegrun D. Kane, *Trademarks Just Ain't What They Used to Be: 5 Years of the Supreme Court's Efforts to Rein in Trademark Owners*, 842 PLI PAT 261, 272 (2005) ("There is an ongoing debate about whether *TrafFix* changed the longstanding principle that the availability of alternative designs constitutes evidence of nonfunctionality.").

What is more, twenty-two scholars, with no agenda to advance in this case, have filed an *amicus* brief in support of certiorari. See Brief of *Amici* Malla Pollack and Other Scholars In Support of Lanard's Petition for a Writ of Certiorari. Because of the great economic importance of the functionality doctrine, and the suitability of this case (with its simple record) as a vehicle to reduce the rampant confusion in the lower courts, the *amici* scholars urge the Court to take this opportunity to "provide clearer markers."

Rounding out the list of authorities observing the division of opinion regarding the functionality doctrine is the leading trademark treatise, in which Professor McCarthy contrasts the Fifth Circuit view in *Eppendorf* with the Federal Circuit view (tracking his own) in *Valu Engineering*. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7:75 (4th ed. 2007) (criticizing Fifth Circuit holding and noting with approval contrary Federal Circuit holding).

GM glibly dismisses these authorities by asserting that the courts of appeals "all repeat and apply the functionality test of *TrafFix*" (Br. in Opp. 3), implying that, if standards exist, doctrinal confusion cannot. Little need be said about that dubious proposition. Were it true, this Court would not have taken up *Qualitex Co.* v. *Jacobson Products Co.*, 514 U.S. 159, 162 (1995) (construing the Lanham Act's provision defining a trademark as "any word, name, symbol or device," which some courts – but not others – held to include color); *KP Permanent Make-Up, Inc.* v. *Lasting Impression, Inc.*, 543 U.S. 111 (2004) (resolving the split in the circuits regarding whether the Lanham Act requires a competitor to negate confusion in order to establish fair use); *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) (resolving the split in the circuits as to the proper interpretation of the Lanham Act's dilution provisions); or many other landmark trademark cases, all of which were premised on splits occasioned by divergent interpretations of a single law or test.

In other areas of the law as well, it is not the least bit unusual for the lower courts to agree on which decision of this Court is the path-marking decision, but to disagree on its scope, necessitating further clarification by this Court. See, *e.g.*, *United States* v. *Atl. Research Corp.*, 127 S. Ct. 2331 (2007) (resolving circuit split over meaning of *Cooper Indus., Inc.* v. *Aviall Services, Inc.*, 543 U.S. 157 (2004)); *United Haulers Ass'n, Inc.* v. *Oneida-Herkimer Solid Waste Mgmt. Auth.*, 127 S. Ct. 1786 (2007) (resolving circuit split over meaning of *C & A Carbone, Inc.* v. *Town of Clarkstown*, 511 U.S. 383 (1994)).

The premise of the petition for a writ of certiorari is not that any lower court is *ignoring* this Court's decision in *TrafFix*, but that the circuits diverge on what this Court's decision *means*. It is no answer at all to say that all the lower courts cite *TrafFix*.

By giving dispositive effect to the Gula declaration, which gives as its only rationale for a nonfunctionality conclusion the availability of alternative designs, the Sixth Circuit has now aligned itself with the Federal Circuit and placed itself in conflict with the Fifth.

2. GM is wrong to suggest that Lanard objects only "to *the result* reached by the Sixth Circuit, not the law applied." Br. in Opp. 6. As we explained in the petition (at 10-11), only through misapprehending the law could the Sixth Circuit have reached the outcome it did. The only record evidence of nonfunctionality of the unregistered trade dress was the declaration of Robert J. Gula, who testified that the Humvee "could have had a different appearance and still functioned in the same way." Pet. App. 57a. In its brief in opposition, GM does not dispute that the declaration stands alone. Thus, notwithstanding the Sixth Circuit's assertion that "Gula's first statement [regarding alternative designs] is insufficient evidence for nonfunctionality" (Pet. App. 13a), the fact that GM offered *no other evidence* of nonfunctionality means that the Sixth Circuit could not have affirmed the grant of summary judgment in GM's favor if it agreed with the Fifth Circuit that "[t]he availability of alternative designs is irrelevant" (*Eppendorf*, 289 F.3d at 357).

Given that GM's favorable decision below is entirely dependent on the Sixth Circuit's acceptance of the relevance of available design alternatives, it is curious that GM dismisses as dicta (Br. in Opp. 5) the Federal Circuit's justification for the relevance of those alternatives. See *Valu Engineering*, 278 F.3d at 1276; cf. MCCARTHY, *supra*, § 7:75 (explaining at some length why the author agrees with the Federal Circuit). The present case illustrates that, dicta or not, the Federal Circuit's reasoning is being followed. The Sixth Circuit is far from the only court to adopt it. See, *e.g.*, *Maharishi Hardy Blechman*

Ltd. v. *Abercrombie & Fitch Co.*, 292 F. Supp. 2d 535, 548 (S.D.N.Y. 2003) (following "the Federal Circuit's interpretation of *TrafFix*," which considers the availability of alternatives to be "a legitimate source of evidence to determine whether a feature is functional"); *Specialized Seating, Inc.* v. *Greenwich Indus., L.P.*, No. 05 C 1197, 2007 WL 417027, *10 (N.D. Ill. Feb. 2, 2007) (citing *Valu Engineering* in explaining that "[a]lternative designs * * * may be relevant with regard to proving functionality as it affects use, cost, or quality").

Importantly, the Patent and Trademark Office's Trademark Trial and Appeal Board is also treating the language in *Valu Engineering* as binding. See *In re N.V. Organon*, 79 U.S.P.Q.2d 1639, 1645 (T.T.A.B. 2006) (citing *Valu Engineering* as affirming the consideration of "the availability to competitors of functionally equivalent designs" when assessing functionality). As we explained in the petition (at 27-28), the influence of the Federal Circuit on the Patent and Trademark Office could prove particularly troubling, because the PTO's decisions must be enforced in courts across the country. If the Federal Circuit's views are not shared by other courts of appeals, there could arise a pernicious disconnect between the standard for establishing that a product design is nonfunctional for registration purposes (in the Federal Circuit, and hence the PTO), and the standard for establishing that it is nonfunctional for enforcement purposes.

3. Last – and further confirming that the record contains no evidence of nonfunctionality beyond the Gula declaration – GM's brief in opposition repeats and compounds the error of the district court by placing the responsibility for the lack of record evidence at Lanard's feet. See Br. in Opp. 6 n.2 ("Petitioners never even identified an alleged function these elements perform" (quoting Pet. App. 13a)). It is far too late in the day for GM to persist with this misstatement of the statutory burden of proof regarding the nonfunctionality of unregistered trade dress. Given the Lanham Act's express requirement that "the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional"

(15 U.S.C. § 1125(a)(3)), there is no excuse for misrepresenting the law to this Court, especially after the Sixth Circuit made clear that the district court had improperly shifted the burden from GM to Lanard. Pet. App. 12a.

In short, by grounding its decision on the existence of alternative designs despite its protestations to the contrary, the Sixth Circuit cast its lot with the Federal Circuit's reasoning that "the Court's observations in *TrafFix* [do not] render[] the availability of alternative designs irrelevant" (*Valu Engineering*, 278 F.3d at 1276), and in opposition to the Fifth Circuit's view that "[t]he availability of alternative designs is irrelevant." *Eppendorf*, 289 F.3d at 357. That decision was case-dispositive. To prevent the economically vital trademark functionality doctrine from continuing down its chaotic spiral, this Court should grant certiorari and clarify that evidence of alternative design possibilities is irrelevant to assessing a product feature's functionality.

CONCLUSION

For the foregoing reasons and those stated in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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